

Baltimore Industrial

FOURTH QUARTER 2007

"Tenant activity remained steady through 2007 and is expected to remain so through 2008. If economic stability continues to waver in the next year, expect landlords to become more aggressive and offer incentives in order to lure tenants to their buildings. If this scenario plays out, owners may experience some rent compression in comparison to 2007 levels."

– Adam Weidner, Senior Associate

QUICK STATS

	Current	Change from last* Yr.	Qtr.
Vacancy	8.46%	↓	↑
Lease Rate	\$5.43	↑	↑
Net Absorption (YTD)	2,379,485 SF	↑	↑
Construction	2,272,006 SF	↑	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- The vacancy rate for flex product in the Baltimore area has declined 243 basis points since the same time last year.
- Over 4.5 million square feet of new warehouse space is planned over the next three to five years.
- Potential big box tenants are in a holding pattern, waiting to discern the impact of the lending markets on the economy.

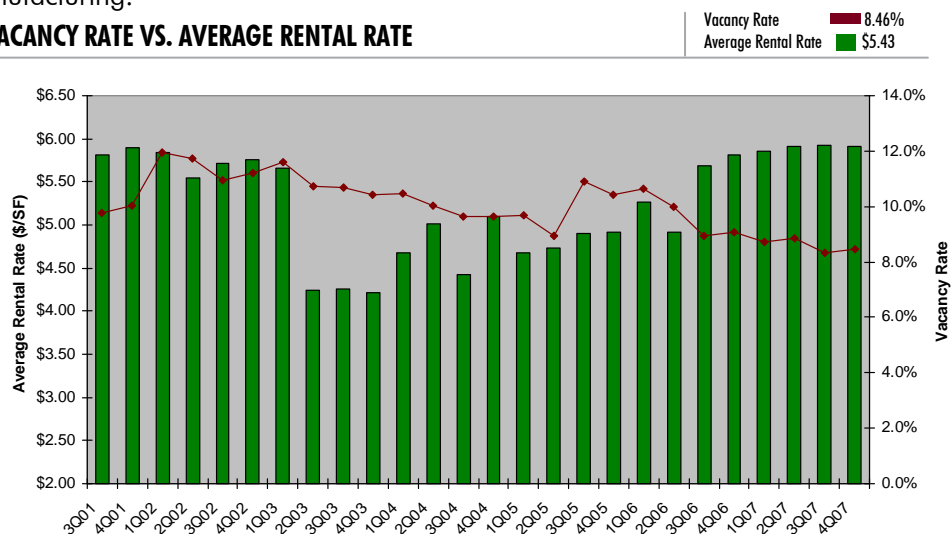
Location and access to an efficient intermodal transportation infrastructure is Baltimore's strategic advantage over competing markets. The deep water inland Port of Baltimore handles more than 40 million tons of cargo annually, ranking it 14th nationally in that category. Ground transportation is accessed by six major interstates that link the area to every major U.S. market. Baltimore has access to three international airports within an hour's drive, with BWI Thurgood Marshall alone handling more than 550 million pounds of air cargo every year.

Baltimore's industrial market has shifted from a manufacturing hub to a thriving warehousing and distribution core. Baltimore's need for state-of-the-art distribution facilities was not only prompted by its logistical access to the eastern seaboard and to 34% of the nation's population within overnight truck access, but also because approximately 90% of all goods moved in Maryland are transported by truck. Despite this shift, the City of Baltimore and its surrounding areas are still called home by more than 4,000 manufacturing businesses. Thanks to tax structure incentives and Maryland's first place ranking among U.S. states in percentage of professional and technical workers, the Baltimore area leads the nation in high-tech, biotech and aerospace manufacturing.

There was an increase in overall vacancy from 8.60% in the third quarter to 8.88% in the fourth quarter for industrial space in the Baltimore MSA. However, many potential big box tenants are closely focusing on Baltimore for warehousing or distribution locations but have become idle in the wake of the potential economic downturn from the lending markets. Even though the metro area experienced vacancy increases for two straight quarters, the Baltimore MSA absorbed approximately 2.4 million square feet of industrial space in 2007, which is an increase of more than 650,000 square feet over 2006.

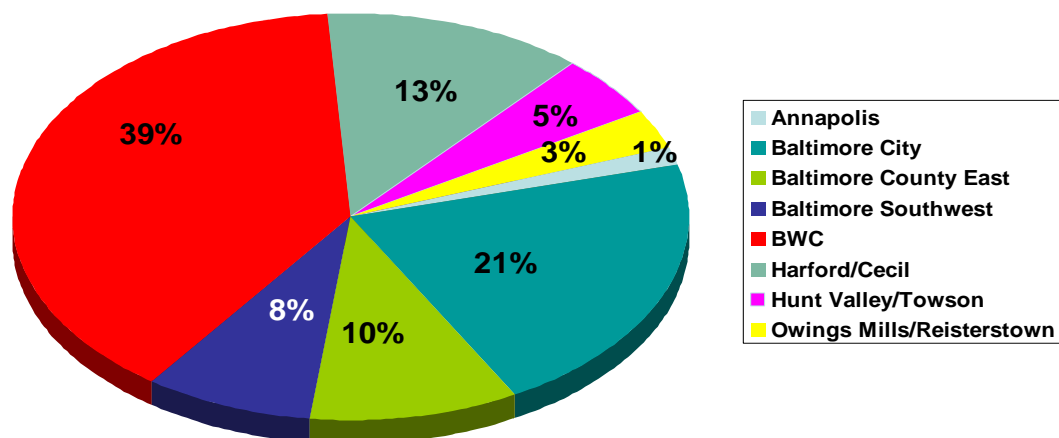
The region will experience a positive economic impact as a result of several businesses expanding or moving into the region. Select Comfort Corp., which is the nation's largest mattress retailer, has decided to make Baltimore its new Mid-Atlantic distribution hub. Following suit, Sleepy's Inc., the nation's second largest mattress retailer, will also be moving into the area. Continued growth and demand has prompted Under Armour, Inc. to expand its operations in Baltimore. They recently signed a lease that will accommodate 350 new employees and serve as additional manufacturing and distribution space.

VACANCY RATE VS. AVERAGE RENTAL RATE



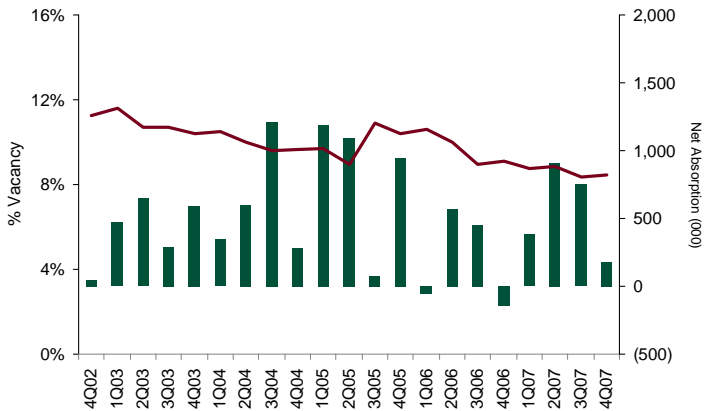
Submarket	Inventory	Direct Vacancy Rate	Net Absorption YTD	Total Under Construction	Asking Rates	
					Warehouse	Flex
Annapolis	1,953,163	2.84%	38,476	-	\$6.00	\$15.53
Baltimore City	32,463,160	6.58%	(150,658)	625,700	\$4.58	\$6.30
Baltimore County East	15,215,706	8.92%	541,696	368,930	\$4.98	\$11.90
Baltimore Southwest	12,411,919	12.42%	201,297	228,154	\$4.32	\$9.95
Balt/Wash Corridor	59,802,734	7.90%	561,217	838,018	\$5.44	\$11.98
Harford/Cecil County	19,314,866	12.21%	948,561	156,000	\$4.29	\$8.45
Hunt Valley/Towson	7,369,732	8.20%	232,599	29,411	\$6.29	\$9.64
Owings Mills/Reist. Rd	4,803,538	4.03%	6,297	25,793	\$7.55	\$10.78
Totals	153,334,818	8.46%	2,379,485	2,272,006	\$5.43	\$10.57

INVENTORY DISTRIBUTION BY SUBMARKET



VACANCY/NET ABSORPTION

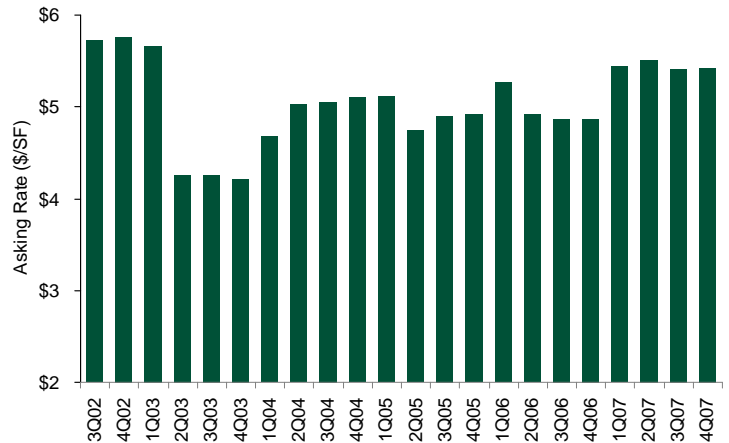
Vacancy 8.46%
Absorption 182,094



The Harford/Cecil warehouse submarket absorbed space at an unprecedented level with nearly 950,000 square feet of positive absorption in 2007. This was on the heels of large leases signed in each of the first three quarters of 2007 and very little space vacated. Five of the eight Baltimore area submarkets recorded over 100,000 square feet of net absorption in 2007, indicating healthy industrial submarkets throughout the region and not just the core distribution areas. While the Baltimore-Washington Corridor (BWC) bulk market struggled in the fourth quarter, mostly due to a large block of space returned to the market in Columbia Gateway, the BWC flex market prospered and recorded 187,777 square feet of net absorption.

AVERAGE ASKING LEASE RATES*

Average Asking Lease Rate \$5.43

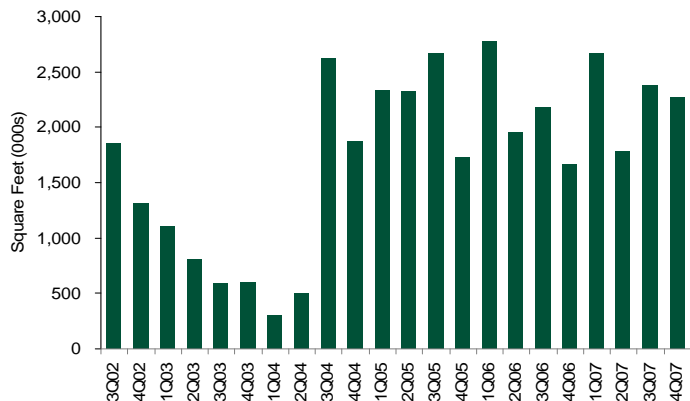


*Warehouse Lease Rates only

The average asking rate for warehouse space in the fourth quarter of 2007 was \$5.43, unchanged from \$5.42 per square foot in the third quarter. Rates in the area are considered to be very competitive, when considering the proximity to arterial highway systems, the quality of distribution space and access to multi-modal transport systems. Rates for new Class A product in the B/W Corridor range from \$5.75 to \$5.95 per square foot, in comparison to neighboring Washington, DC where rates are \$7.15 to \$7.25 per square foot.

CONSTRUCTION ACTIVITY

Square Feet U/C 2,272,006



Three buildings totaling 217,432 square feet delivered 29% preleased in the Baltimore Crossroads project during the fourth quarter. This project is one of the area's new Class A industrial parks and is located in the Baltimore County East submarket. There are currently 20 industrial buildings under construction in the Baltimore Metropolitan Area, totaling approximately 2.2 million square feet. Each building in the Baltimore area is being constructed on a speculative basis, so the health of the Baltimore region's industrial real estate market is contingent upon the ability to absorb the new product delivering into the market.

MARKET OUTLOOK

The Baltimore industrial sector is primarily supported by its ability to supply big box warehouses to tenants along the Interstate 95 Corridor and near the Port of Baltimore. In addition to an already healthy distribution and high-tech market, both flex and warehouse product will see the effects of the Defense Department's Base Realignment and Closure. The flex/high-tech sector space will likely be absorbed by defense contractors supporting the Department of Defense. Warehouse product is expected to be absorbed by the demand for construction materials, retail product and other supplies needed for the influx of new employees and families moving into the region.

TOP 4Q 2007 BALTIMORE LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address	Submarket
100,000	Southern Sales	7595 Montevideo Rd.	BWC
88,970	M & M Precast	800 Red Toad Rd.	Harford/Cecil
85,000	MS International, Inc.	7595 Montevideo Rd.	BWC
82,000	HBI Priority Freight	1901 Park 100 Dr.	BWC

BALTIMORE SUBMARKET MAP



AVAILABLE SQUARE FEET

Includes advertised listings in existing buildings regardless of possession date. It includes building area that is either physically vacant or occupied.

AVAILABILITY RATE

Available square feet divided by the net rentable area.

AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

FULL SERVICE

Rent is inclusive of operating expenses and rates.

MARKET COVERAGE

Includes all existing competitive industrial buildings greater than 10,000 square feet for flex and 20,000 square feet for warehouse.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANT SQUARE FEET

Immediately available or physically vacant space in existing buildings. The vacancy rate excludes sublease space.

VACANCY RATE

Vacant building feet divided by the net rentable area.

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